Proposed New Rural Assessment Policy

Study compiled for:

The Alberta Association of
Municipal Districts and Counties

by:

Alberta Municipal Affairs
Assessment Inspection Branch

Introduction

The Problem with Rural Assessment in Alberta

Over the years it has become apparent to all who are involved in municipal government that Alberta's rural assessment procedure required improvement.

The difficulty began with the development of two different assessment systems in Alberta. While urban municipalities utilize assessments related to market value, the rural municipalities use a rating system which reflects the productive value of farm land. Both systems work well in isolation of the other.

However, as more and more Albertans chose the country residential/acreage life, it became necessary to apply both systems within rural municipalities. This created a dilemma for the rural municipality to determine when to apply which system, as there are sharp differences in assessment levels between the two classifications. This uncertainty resulted in concern over whether some ratepayers were paying their fair share of the tax burden.

It is accepted that the acreage owner with an assessment based on market value and the farmer with a number of quarters assessed at productivity rates are each contributing fairly. It is that minority group of ratepayers with only a small amount of land, but who are able to qualify for preferential farm land assessments, that represent the problem. Both the acreage owner and the farmer with a fair amount of land see this group as not contributing a fair share of municipal taxes. They view as unfair a system that allows some to qualify for farm status, while others in similar situations may not.

This problem has grown steadily over the past twenty years but has become more serious with the recent move to country residential development. As more acreage owners gained farm concessions and the resulting financial rewards, complaints steadily increased to the appeal processes. Ratepayer associations increased in number and activity calling for some change to the system and councils, already struggling with financial cutbacks, were placed under further stress.

Over the past several years every Alberta Association of Municipal Districts and Counties convention has dealt with differing resolutions calling for improvements to resolve this situation. In addition, the issue has been the subject of several studies at the Provincial level, by municipal bodies, ratepayer organizations and farm groups. While the proposals presented to resolve the matter have varied there has been one common theme — the system must treat all ratepayers the same and not to try to distinguish between the farmer and the acreage owner for the purposes of assessment status.

Proposed Rural Assessment Policy

AAMD&C Committee

At last fall's AAMD&C Conference it was decided a study committee would be set up to review the entire matter and bring some recommendation forward which would resolve the issue to the satisfaction of the majority of ratepayers.

Your committee members are:

Wallace Daley (Chairman)	MD of Willow Creek
Joe Smith	County of Barrhead
Glen Clegg	MD of Fairview
John Glazier	County of Paintearth
Dick Papworth	County of Lethbridge
Steve Shwetz	County of Thorhild
Clayton Crozier	MD of Sturgeon
Arnold Koberstein	County of Lac Ste. Anne
Eric Knudsen	County of Wheatland
Bob Grbavac	County of Warner
Bill Houseman	County of Grande Prairie
Jack Edworthy	Executive Secretary

The contents of this publication represents the result of your committee's research and deliberations.

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The Proposal Purpose

"To Achieve Greater Equity in the Method of Rural Municipal Assessment and Taxation in Alberta"

The Present System

(1980 Assessment Reforms)

Farm

Land	=	Assessed at agricultural rates with adjustments for urban and highway advantage.
Residence	=	Exempt to the basic prescribed assessment level.
Building Site	=	Assessed at agricultural rates.

Non-Farm

Land	=	First 3 acres assessed at 65% of market value, balance assessed at agricultural rates.
Residence	=	No exemption from assessment.
Building Site	=	3 acres assessed at 65% of market value.

The Proposed System

A) Add a site assessment at 65% of market value for an occupied residence on farmland.

*B) Provide a residence assessment exemption limited to the amount of land owned or land leased from the crown, assessed at farmland rates up to the maximum prescribed level.

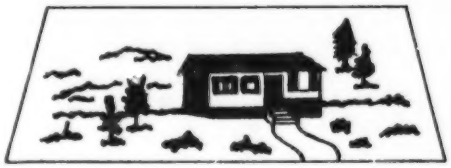
C) Remove the urban and highway advantage and adjust the marketing distance factor on farmland assessment.

* See appendix for Farm Residence Basic Exemption.

How the Proposed System Works

(Basic assessment exemption at $40,000 for purposes of these examples)

3 Acre Unit With Residence



Present Assessment

A

Assessment of Res. Site		$10,000
Assessment of Farm Land		NIL
	Total (A)	$10,000

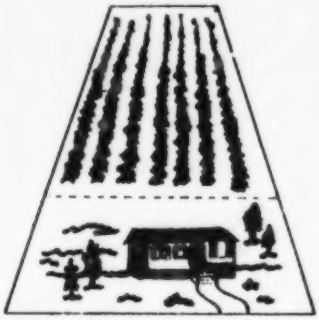
B

Assessment of Residence		$40,000
Less Exemption		NIL
	Total (B)	$40,000

Assessment (A) + (B) = $50,000

Proposed System : No Change

40 Acre Unit With Residence



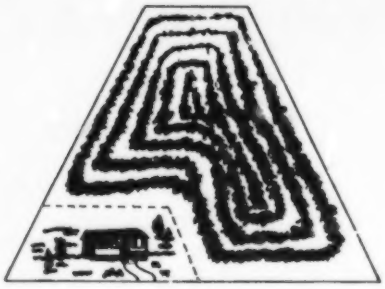
Present Assessment

A	
Assessment of Res. Site	NIL
Assessment of Farm Land	$7,000
Total (A)	$7,000
B	
Assessment of Residence	$40,000
Less Exemption	$40,000
Total (B)	0
Assessment (A) + (B) =	**$7,000**

Proposed System

A	
Assessment of Res. Site	$10,000
Assessment of Farm Land	$ 6,000
Total (A)	$16,000
B	
Assessment of Residence	$40,000
Less Exemption:	
Lesser of: Basic Exemption or Farm Land Assessment	$ 6,000
Total (B)	$34,000
Assessment (A) + (B) =	**$50,000**

160 Acre Unit With Residence



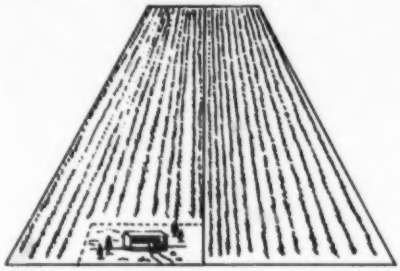
Present Assessment

A	
Assessment of Res. Site	NIL
Assessment of Farm Land	$28,000
Total (A)	$28,000
B	
Assessment of Residence	$40,000
Less Exemption	$40,000
Total (B)	0
Assessment (A) + (B) =	**$28,000**

Proposed System

A	
Assessment of Res. Site	$10,000
Assessment of Farm Land	$25,000
Total (A)	$35,000
B	
Assessment of Residence	$40,000
Less Exemption:	
Lesser of: Basic Exemption or Farm Land Assessment	$25,000
Total (B)	$15,000
Assessment (A) + (B) =	**$50,000**

320 Acre Unit With Residence



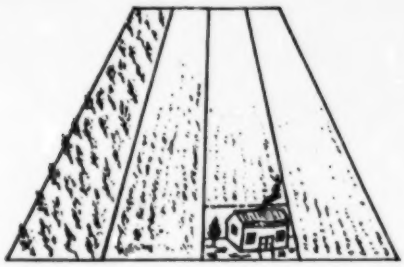
Present Assessment

	A	
Assessment of Res. Site		NIL
Assessment of Farm Land		$56,000
	Total (A)	$56,000
	B	
Assessment of Residence		$40,000
Less Exemption		$40,000
	Total (B)	0
	Assessment (A) + (B) =	**$56,000**

Proposed System

	A	
Assessment of Res. Site		$10,000
Assessment of Farm Land		$50,000
	Total (A)	$60,000
	B	
Assessment of Residence		$40,000
Less Exemption:		
Lesser of:	Basic Exemption or Farm Land Assessment	$40,000
	Total (B)	0
	Assessment (A) + (B) =	**$60,000**

640 Acre Unit With Residence



Present Assessment

	A	
Assessment of Res. Site		NIL
Assessment of Farm Land		$125,000
	Total (A)	$125,000
	B	
Assessment of Residence		$62,000
Less Exemption		$40,000
	Total (B)	$22,000
	Assessment (A) + (B) =	**$147,000**

Proposed System

	A	
Assessment of Res. Site		$ 12,000
Assessment of Farm Land		$110,000
	Total (A)	$122,000
	B	
Assessment of Residence		$62,000
Less Exemption:		
Lesser of:	Basic Exemption or Farm Land Assessment	$40,000
	Total (B)	$22,000
	Assessment (A) + (B) =	**$144,000**

The Impact Study

To analyze the results of implementing the proposal ten test municipalities were chosen. These M.D.'s and Counties represent a cross section of our rural municipalities and should provide reliable indicators of the actual proposal impact.

Where the Proposal was Implemented

Municipality	Reeve	Assessor
County of Barrhead #11	Joe Smith 674-3331	R. Tarves
M.D. of Sturgeon #90	Clay Crozier 939-4321	P. Macyk
County of Grande Prairie #1	W. Housman 532-9722	A. Martin
County of Camrose #22	R. Prestage 672-4446	D. Cox
M.D. of Rockyview #44	W. Copithorne 230-1401	F. Watson
M.D. of Kneehill #48	O. Hoff 443-5541	E. Dunay
M.D. of Fairview #136	H. Moskalyk 835-4903	F. Osterricher
County of Warner #5	P. Morrison 642-3636	S. Roth
County of Vermilion River #24	F. Wheats 846-2244	H. Henderson
County of Red Deer #23	J. Wagers 347-3364	E. Neis

The assessors of each municipality applied the proposal to a broad sampling of actual properties and then used these results to estimate the effect on the total municipal assessment base.

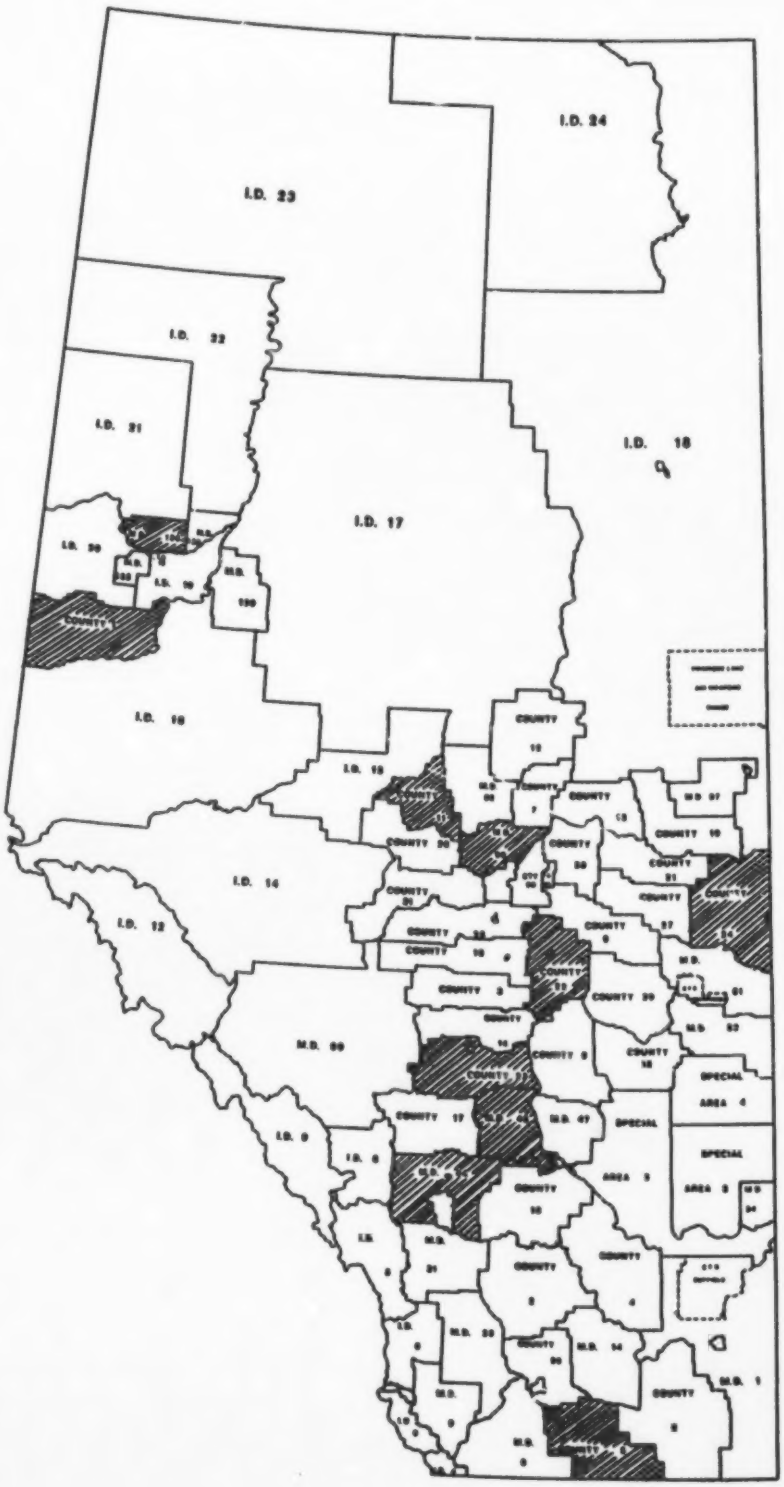
Changes to the overall base are summarized in the following table.

The bar graph shows the actual range of taxes paid by the respective units in the ten municipalities. The yellow bars indicate the range of present taxes and the green bars, the range after the proposal was applied.

The Individual Properties Impact tables show the results of implementing the proposal on a number of properties in each municipality.

The estimated effect to Equalized Assessments is shown for four municipalities.

Where the Proposal was Implemented

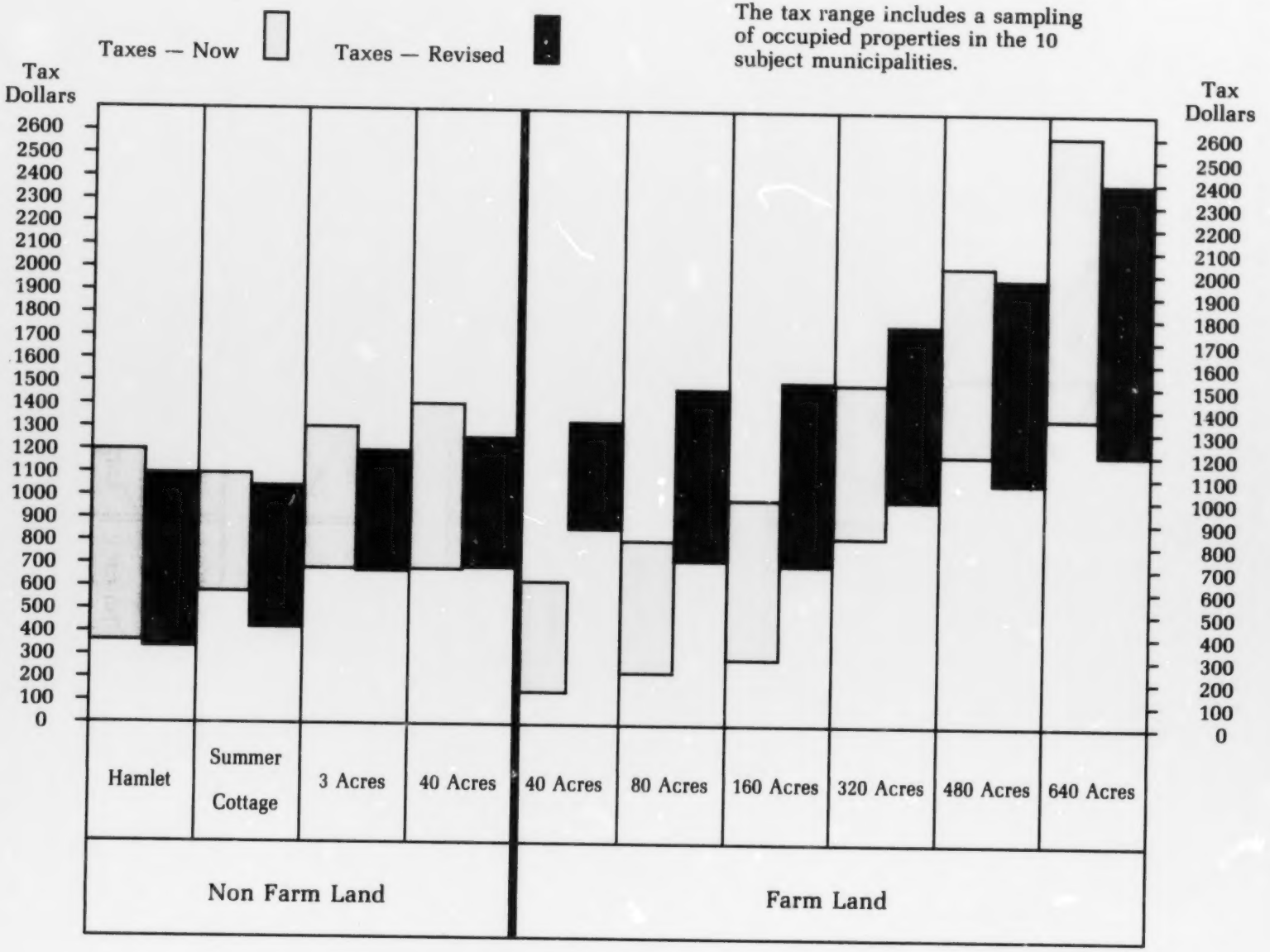


Assessment Base Impact

	Total Taxable Assm't Base	Present Farm Taxable Assm't Base	% of Farm Assm't to Total Base	New Total Taxable Assm't Base	New Farm Taxable Assm't Base	% of New Farm Assm't to Total Base	% Change of Farm Assm't Portion	% Change of Total Base
County of Warner	127,268,160	100,502,740	78.97	123,951,570	97,186,150	78.41	- 3.30	- 2.61
M.D. of Sturgeon**	599,523,890	92,649,500	15.45	598,420,755	92,546,365	15.30	- 1.19	- 0.18
County of Vermilion River	264,020,680	147,013,680	55.68	264,373.010	147,366,010	55.74	+ 0.24	+ 0.13
M.D. of Kneehill	247,421,170	129,248,750	52.24	249,153,118	131,575,227	52.81	+ 1.80	+ 0.70
M.D. of Fairview**	62,537,686	30,389,307	48.59	63,332,202	31,179,429	49.23	+ 2.60	+ 1.27
M.D. of Rockyview	936,150,480	182,589,710	19.50	946,031,310	192,470,540	20.35	+ 5.41	+ 1.06
County of Camrose	214,685,360	118,900,510	55.38	218,979,067	123,194,217	56.26	+ 3.61	+ 2.00
County of Barrhead	94,584,200	44,000,000	46.52	99,424,200	48,840,000	49.12	+ 11.00	+ 5.12
County of Grande Prairie**	346,170,204	98,658,601	28.50	358,570,375	111,058,772	30.97	+ 12.57	+ 3.58
County of Red Deer**	429,261,230	142,521,990	33.20	452,478,973	165,739,733	36.63	+ 16.29	+ 5.41
Total	3,321,623,060			3,374,714,580				Average Increase + 1.60%

** Denotes an adjustment in:
- Non-farm land assessment to approximately 65% of 1983 market value level
- In the farm land assessment base year
- In the building and machinery and equipment factor

Property Tax Impact



Individual Properties Impact
County of Warner #5

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now	20	340		
	Revised	30	370		
Summer Cottage	Now				
	Revised				
3 Acres	Now	70	1,090		
	Revised	60	1,110		
Non Farm Land 40 Acres	Now	40	640		
	Revised	60	560		
Farm Land 40 Acres	Now	150	230		
	Revised	130	620		
Farm Land 80 Acres	Now	250	340	560	1,290
	Revised	210	730	1,420	2,070
Farm Land 160 Acres	Now	400	640	900	
	Revised	370	770	1,050	
Farm Land 320 Acres	Now	700	1,400		
	Revised	650	1,250		
Farm Land 480 Acres	Now	940	1,250	2,970	
	Revised	900	1,250	2,770	
Farm Land 640 Acres	Now	1,290		1,300	
	Revised	1,230		1,330	

Individual Properties Impact
Municipal District of Sturgeon #90

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now	50	770	1,690	
	Revised	50	770	1,680	
Summer Cottage	Now	240	320	410	
	Revised	240	320	410	
3 Acres	Now	200	650	880	2,350
	Revised	200	650	880	2,350
Non Farm Land 40 Acres	Now	350	660	950	
	Revised	330	640	950	
Farm Land 40 Acres	Now	60	110	610	
	Revised	40	880	1,390	
Farm Land 80 Acres	Now	270	400	600	
	Revised	200	1,000	1,200	
Farm Land 160 Acres	Now	50	350	500	
	Revised	50	850	1,150	
Farm Land 320 Acres	Now	1,170	950	1,110	2,060
	Revised	840	1,000	1,190	2,110
Farm Land 480 Acres	Now	700	1,500	3,050	
	Revised	620	1,500	2,880	
Farm Land 640 Acres	Now	580	3,780	2,400	12,300
	Revised	450	3,270	2,300	10,710

Individual Properties Impact
County of Vermilion River #24

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now	134	365	660	
	Revised	134	365	660	
Summer Cottage	Now				
	Revised				
3 Acres	Now	260	616	870	1,730
	Revised	260	614	870	1,720
Non Farm Land 40 Acres	Now		600	1,130	1,810
	Revised		460	1,020	1,655
Farm Land 40 Acres	Now	105		150	
	Revised	85		985	
Farm Land 80 Acres	Now	330		450	860
	Revised	260		1,140	1,850
Farm Land 160 Acres	Now	335	345	585	1,140
	Revised	300	390	715	1,600
Farm Land 320 Acres	Now	975	660	440	
	Revised	890	670	825	
Farm Land 480 Acres	Now	730	780	1,620	
	Revised	690	730	1,520	
Farm Land 640 Acres	Now	1,510	1,210	1,580	2,610
	Revised	1,460	1,200	1,540	2,470

Individual Properties Impact
Municipal District of Kneehill #48

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now	30	480	930	
	Revised	30	460	890	
Summer Cottage	Now		110		
	Revised		100		
3 Acres	Now		580	990	
	Revised		560	950	
Non Farm Land 40 Acres	Now		672	712	
	Revised		569	656	
Farm Land 40 Acres	Now	209	328	134	520
	Revised	189	955	987	1,110
Farm Land 80 Acres	Now	350	267	525	805
	Revised	325	995	685	1,466
Farm Land 160 Acres	Now	755	625	680	825
	Revised	715	775	1,190	1,198
Farm Land 320 Acres	Now	1,072	830	1,258	1,188
	Revised	988	1,050	1,300	1,265
Farm Land 480 Acres	Now	1,760	1,170	1,495	2,470
	Revised	1,635	1,220	1,505	2,455
Farm Land 640 Acres	Now	1,935	2,930	2,092	3,029
	Revised	1,788	3,000	2,010	3,000

Individual Properties Impact
Municipal District of Fairview #136

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet of Bluesky Lots 35′ x 120′	Now	70	410	780	960
	Revised	70	400	760	940
Hamlet of Whitelaw Lots 50′ x 100′	Now	50	450	680	730
	Revised	40	440	670	720
3 Acres	Now	190	630	900	1,210
	Revised	190	620	890	1,190
Non Farm Land 40 Acres	Now	160	970	1,090	1,400
	Revised	150	760	850	1,170
Farm Land 40 Acres	Now	160	160	160	160
	Revised	150	760	850	1,170
Farm Land 80 Acres	Now	220	220	220	220
	Revised	210	740	820	1,120
Farm Land 160 Acres	Now	420	420	420	420
	Revised	410	730	810	1,110
Farm Land 320 Acres	Now	850	850	850	850
	Revised	770	910	910	910
Farm Land 480 Acres	Now	1,390	1,390	1,390	1,390
	Revised	1,260	1,390	1,390	1,390
Farm Land 640 Acres	Now	1,740	1,740	1,740	1,740
	Revised	1,580	1,720	1,720	1,720

Individual Properties Impact
Municipal District of Rockyview #44

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now				
	Revised				
Summer Cottage	Now				
	Revised				
3 Acres	Now		750	877	
	Revised		750	877	
Non Farm Land 40 Acres	Now				
	Revised				
Farm Land 40 Acres	Now		88		1,012
	Revised		1,100		2,255
Farm Land 80 Acres	Now		300		1,480
	Revised		910		2,650
Farm Land 160 Acres	Now		340	795	
	Revised		1,000	1,275	
Farm Land 320 Acres	Now		1,040		
	Revised		1,140		
Farm Land 480 Acres	Now		1,700	1,810	2,060
	Revised		1,750	1,805	2,040
Farm Land 640 Acres	Now		2,330		4,410
	Revised		2,140		3,690

Individual Properties Impact
County of Camrose #22

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now				
	Revised				
Summer Cottage	Now				
	Revised				
3 Acres	Now		750	950	
	Revised		700	925	
Non Farm Land 40 Acres	Now		900	1,200	
	Revised		850	1,195	
Farm Land 40 Acres	Now	106	150	550	
	Revised	100	500	1,300	
Farm Land 80 Acres	Now	224	200	400	1,100
	Revised	214	800	1,100	1,900
Farm Land 160 Acres	Now	413	500	900	
	Revised	395	1,000	1,200	
Farm Land 320 Acres	Now	984	1,100	1,500	
	Revised	940	1,100	1,500	
Farm Land 480 Acres	Now	1,196	1,300		
	Revised	1,140	1,275		
Farm Land 640 Acres	Now	1,972	2,000		
	Revised	1,950	1,975		

Individual Properties Impact
County of Barrhead #11

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now	41	1,090	1,535	
	Revised	40	1,030	1,450	
Summer Cottage	Now	310	575	875	
	Revised	290	540	825	
3 Acres	Now	210	875	1,340	2,110
	Revised	195	820	1,260	1,990
Non Farm Land 40 Acres	Now	260	605	1,030	
	Revised	200	570	975	
Farm Land 40 Acres	Now	25	90	200	
	Revised	22	655	1,000	
Farm Land 80 Acres	Now	200	535	250	
	Revised	190	1,015	1,080	
Farm Land 160 Acres	Now	460	235	900	
	Revised	405	880	1,340	
Farm Land 320 Acres	Now	800	1,010	625	
	Revised	630	1,055	1,255	
Farm Land 480 Acres	Now	275	1,515	1,750	
	Revised	245	1,390	1,650	
Farm Land 640 Acres	Now	1,250	2,295	1,605	
	Revised	1,110	2,015	1,560	

Individual Properties Impact
County of Grande Prairie #1

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now				
	Revised				
Summer Cottage	Now				
	Revised				
3 Acres	Now		595	710	1,532
	Revised		560	675	1,410
Non Farm Land 40 Acres	Now		589	1,083	
	Revised		546	1,015	
Farm Land 40 Acres	Now			149	
	Revised			1,045	
Farm Land 80 Acres	Now	108.84		166	
	Revised	93		985	
Farm Land 160 Acres	Now	265	356	532	
	Revised	228	740	1,118	
Farm Land 320 Acres	Now	552		985	
	Revised	475		1,050	
Farm Land 480 Acres	Now	1,063	1,205	1,234	
	Revised	914	1,140	1,344	
Farm Land 640 Acres	Now	947	1,017	1,344	
	Revised	814	967	1,322	

Individual Properties Impact
County of Red Deer #23

Type of Property		Vacant $	Average Residence $	Good Residence $	Very Good Residence $
Hamlet	Now	156	775	1,249	
	Revised	150	742	1,200	
Summer Cottage	Now	741	1,079	1,664	2,210
	Revised	575	1,050	1,618	1,700
3 Acres	Now	445	1,387	2,047	3,561
	Revised	441	1,378	2,035	3,539
Non Farm Land 40 Acres	Now	304	952		
	Revised	300	873		
Farm Land 40 Acres	Now		225		1,076
	Revised		1,026		2,107
Farm Land 80 Acres	Now	280	571	805	1,732
	Revised	275	1,430	1,795	2,534
Farm Land 160 Acres	Now		800		
	Revised		1,400		
Farm Land 320 Acres	Now	791	1,077	2,193	
	Revised	677	1,087	2,167	
Farm Land 480 Acres	Now	1,200	2,068		
	Revised	990	1,741		
Farm Land 640 Acres	Now			3,160	4,424
	Revised			2,577	3,809
Farm Land 1,117 Acres	Now			4,976	
	Revised			4,450	

Equalized Assessment Impact

Public School Apportionment
County of Grande Prairie #1

	Equalized Assessment	Present % of Requisition	% of Requisition After Proposal
County of Grande Prairie #1	84,542,750	75.98	76.77
Town of Beaverlodge	9,802,370	9.21	8.90
Town of Sexsmith	7,497,180	7.04	6.81
Town of Wembley	4,560,150	4.28	4.14
Village of Hythe	3,720,240	3.49	3.38
	110,122,690		

County of Warner #5

	Equalized Assessment	Present % of Requisition	% of Requisition After Proposal
County of Warner #5	31,300,120	63.75	63.43
Town of Milk River	5,020,420	10.08	10.18
Town of Raymond	9,093,330	18.27	18.43
Village of Coutts	1,820,050	3.66	3.69
Village of Warner	2,109,060	4.24	4.27
	49,342,980		

Equalized Assessment Impact

Public School Apportionment
County of Camrose #22

	Equalized Assessment	Present % of Requisition	% of Requisition After Proposal
County of Camrose #22	55,778,610	82.20	82.02
Town of Bashaw	5,995,850	8.73	8.82
Village of Bawlf	1,305,040	1.90	1.92
Village of Bittern Lake	601,270	0.88	0.88
Village of Edberg	439,310	0.64	0.65
Village of Ferintosh	550,610	0.80	0.81
Village of Hay Lakes	1,239,810	1.88	1.90
Village of New Norway	1,183,000	1.72	1.74
Village of Rosalind	855,140	1.25	1.26
	68,002,640		

County of Red Deer #23

	Equalized Assessment	Present % of Requisition	% of Requisition After Proposal
County of Red Deer #23	106,927,100	57.45	59.10
Town of Innisfail	34,207,600	19.67	18.91
Town of Penhold	6,560,110	3.77	3.62
Town of Sylvan Lake	23,010,690	13.23	12.72
Town of Bowden	4,415,490	2.54	2.44
Village of Delburne	2,352,820	1.35	1.30
Village of Elnora	1,081,690	0.62	0.60
Summer Village of Norglenwold	2,374,180	1.37	1.31
	180,929,680		

Questions and Answers

1. **Q.** Would there be one site assessed per parcel?
   A. Yes. The site would be assessed at 65% of the land's market value for the first 3 acres or any larger area in use for residential purposes.

2. **Q.** Would the farm residence exemption ceiling remain?
   A. Yes. The maximum prescribed basic assessment exemption level would remain.

3. **Q.** Would additional residences on the same parcel receive any exemptions?
   A. Yes. Additional residences would receive 50% of the basic exemption providing the amount of farm land assessment in the unit allows the exemption. (SEE FOLLOWING EXAMPLES)

Example #1

Farm Land	$70,000
1st Residence	$50,000
2nd Residence	$30,000
Assessment of 1st Residence	$50,000
Less Exemption:	
Basic Exemption	
Lesser of: (or)	$40,000
Farm Land Assessment	
Total 1st Residence	**$10,000**
($30,000 Farm Land Exemption Remaining)	
Assessment of 2nd Residence	$30,000
Less Exemption:	
50% of Basic Exemption	
Lesser of: (or)	$20,000
Farm Land Assessment	
Total 2nd Residence	**$10,000**
($10,000 Farm Land Exemption Unused)	

Example #2

Farm Land	$30,000
1st Residence	$50,000
2nd Residence	$30,000
Assessment of 1st Residence	$50,000
Less Exemption:	
Basic Exemption	
Lesser of: (or)	$30,000
Farm Land Assessment	
Total 1st Residence	**$20,000**
($0 Farm Land Exemption Remaining)	
Assessment of 2nd Residence	$30,000
Less Exemption:	
50% of Basic Exemption	
Lesser of: (or)	$0
Farm Land Assessment	
Total 2nd Residence	**$30,000**

Example #3

Farm Land	$110,000
1st Residence	$ 62,000
2nd Residence	$ 40,000
3rd Residence	$ 30,000
4th Residence	$ 20,000
Assessment of 1st Residence	$ 62,000
Less Exemption:	
Basic Exemption	
Lesser of: (or)	$ 40,000
Farm Land Assessment	
Total 1st Residence	**$ 22,000**
($70,000 Farm Land Exemption Remaining)	
Assessment of 2nd Residence	$ 40,000
Less Exemption:	
50% of Basic Exemption	
Lesser of: (or)	$ 20,000
Farm Land Assessment	
Total 2nd Residence	**$ 20,000**
($50,000 Farm Land Exemption Remaining)	

Example #3 cont'd.

Assessment of 3rd Residence	$ 30,000
Less Exemption:	
50% of Basic Exemption	
Lesser of: (or)	$ 20,000
Farm Land Assessment	
Total 3rd Residence	**$ 10,000**

($30,000 Farm Land Exemption Remaining)

Assessment of 4th Residence	$ 20,000
Less Exemption:	
50% of Basic Exemption	
Lesser of: (or)	$ 20,000
Farm Land Assessment	
Total 4th Residence	**$ 0**

($10,000 Farm Land Exemption Unused)

4. **Q.** Would some highway advantage factor remain on farm land assessment?
   A. No. The highway advantage factor would be removed from farm land assessment.

5. **Q.** Would a phase-in period be provided to individual property owners who face large tax increases due to losing farm status (Example: intensified farming operation)?
   A. No. It would be unfair to ask the balance of the ratepayers in the municipality to continue subsidizing the few who have gained the benefits of the farm status concession.

6. **Q.** Would leased land be included in determining the farm unit?
   A. Only land owned or land leased from the crown will be considered as part of a unit.

7. **Q.** Would farm out buildings including garages continue to be exempt from assessment?
   A. No change would be made in the present assessment policy — farm out buildings including garages would continue to be exempt to the extent they are used for farm purposes.

8. **Q.** Would vacant land zoned for other than agricultural use continue to receive farm land status.
   A. No. Vacant parcels less than 10 acres in size would not qualify as farm land when zoned for purposes other than agricultural.

9. **Q.** Would special allowance be made in equalized assessments to reflect any change made in the municipal tax base?
   A. No. This would not be a major concern due to insignificant increases or decreases in the overall assessment base.

10. **Q.** Wouldn't some large vacant farm units receive a decrease in assessment and taxes due to the urban and highway advantage factors being removed?
    A. Yes. Some vacant farm units would receive a reduction in assessment and taxes due to the removal of the urban and highway advantage factors. This is not felt to be a significant concern since these types of vacant farm units demand minimal municipal services due to their non-occupied status.

11. **Q.** Whose responsibility would it be to establish ownership of farm units?
    A. The obligation would be with the unit owner to establish ownership of farm land for the purpose of residence exemption.

In Conclusion

The committee members are optimistic that this proposal will ensure a more equitable tax base for our rural ratepayers. Although there will be isolated cases where the system may not remove all inequities, these instances will be minimized.

The application of a site value for all occupied residences is an important first step in ensuring all ratepayers are treated consistently. The site value will better determine the property's proximity to any urban amenities or services than the previous arbitrary urban and highway adjustments. By substituting a site value for these adjustments on farm land more realistic and explainable assessments will result without causing any major shifts in the average farmer's assessment.

There will be some shift of tax burden away from vacant farm land but this should be acceptable given that vacant land requires minimal servicing by a municipality. As a municipality's services are people generated, an assessment which focuses on the residence and its related site better reflects demands on a municipality's services.

As the residence exemption is geared to the amount of farm land assessment in the owners unit any farmer with a fair amount of land is still assured of the full basic exemption on his residence. The operator with only a small amount of land will receive some benefit but the exemption will be limited to the amount of his farm land assessment.

The proposal also has the added advantages of meeting:

- the criteria of the "either/or" option which has been advanced by the association on previous occasions
- the requirements of the minimum tax proponents as all ratepayers who reside in the municipality will have an assessment on their residence and site as a minimum
- the Council of Alberta Rural Ratepayers Association demands of fair treatment for all rural ratepayers.

A review of the impact on the ten test municipalities (as shown in the summary) indicates there will be a minimal change to the overall tax base. The change ranges from a minus 2.6% in the County of Warner to a high of plus 5.4% in the County of Red Deer. The average change is less than 2%, which may be less than what is experienced in an annual assessment in most municipalities. It would cause insignificant shifts to Equalized Assessments and the cost shared programs.

A review of the individual properties impact (shown by bar graph in the study) indicates that of the actual test properties it was only the group of farm land ranging up to just over a half section which experienced any increase. The additional assessment would bring this group's share up to an equivalent level with that of the acreage owner and the farm operator on two to three quarters. As this group begins to pay a larger share of the tax burden, it will remove some of the tax load from other properties now paying the brunt of the tax.

The committee members wish to thank all who contributed their resources to this project. Considerable time and effort has been expended by many persons, both individually and on behalf of the municipalities and other organizations making presentations and preparing data.

The committee believes this proposal will provide rural municipalities with a more realistic tax base and invite your constructive criticism comments and support.

Appendix

Farm Residence Basic Exemptions

Base Year			Approximate Replacement Cost
1977	—	$28,000	($43,075)
1978	—	$29,740	($45,750)
1979	—	$33,430	($51,430)
1980	—	$37,040	($56,980)
1981	—	$40,350	($62,000)
1982	—	$41,660	($64,000)
1983	—	$38,190	($58,750)
1984	—	$36,260	($55,780)

Note

Previous reforms restricted the exemption of farm residences to a basic maximum. The level in the municipalities varies according to the year of their general assessment. For purposes of these examples a figure of $40,000 was used as an average.

Assessment Exemption Certification Form

Municipality _____ Owner _____

Date _____ Address _____

A.		B.	
Assessment of Res. Site	_____	Assessment of Residence	_____
Assessment of Farm Land	_____	Less Exemption Lessor of: Basic Exemption or Farm Land Assessment	_____
Total (A)	_____	Total (B)	_____

Assessment (A) + (B) = _____

(Land owned or leased from the crown in the unit)

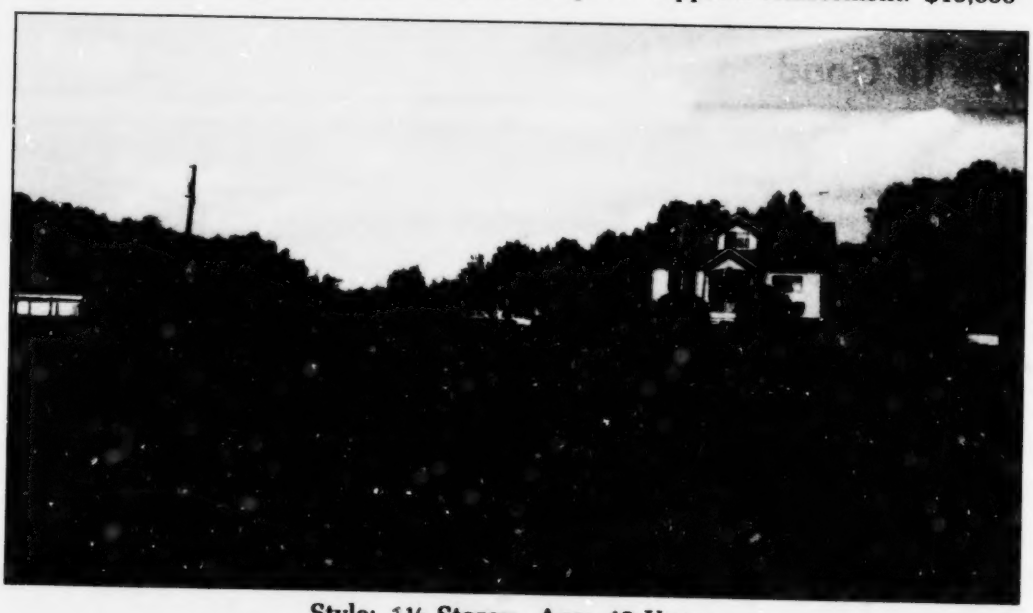
Legal Descriptions	Acres	Assessment	Modifier Adjustment	Adjusted Assessment
			(Total)	

Example form which would be used for purposes of establishing the residence exemption.

Signature: _____

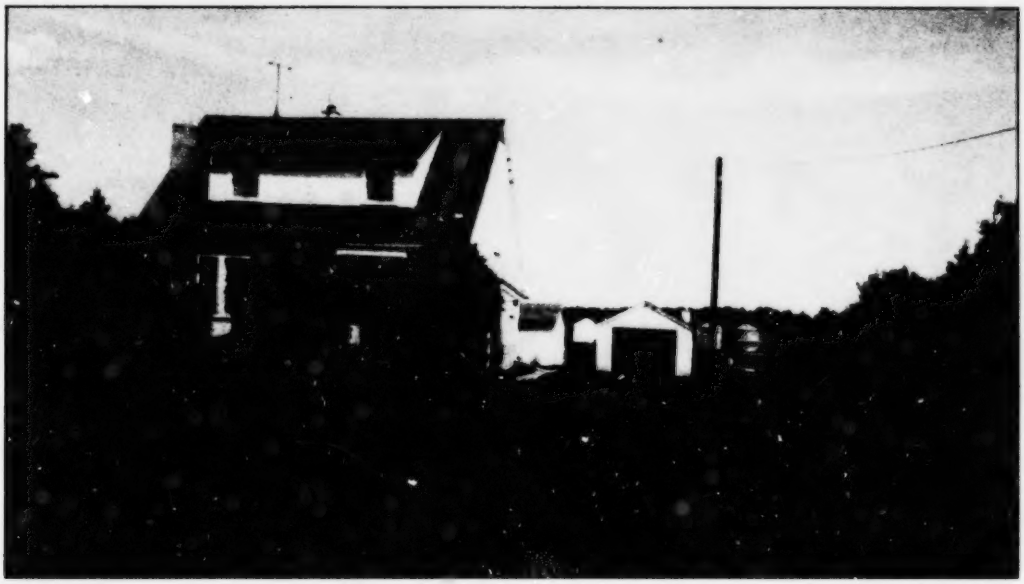
Fair to Average

Style: 1 Storey Age: 30 Years Size: 800 Sq. Ft. Approx. Assessment: $13,000



Style: 1½ Storey Age: 40 Years
Size: 800 Sq. Ft. (Main Floor) Approx. Assessment: $16,000

Average



Style: 1½ Storey Age: 30 Years Size: 1,000 Sq. Ft. Approx. Assessment: $24,000

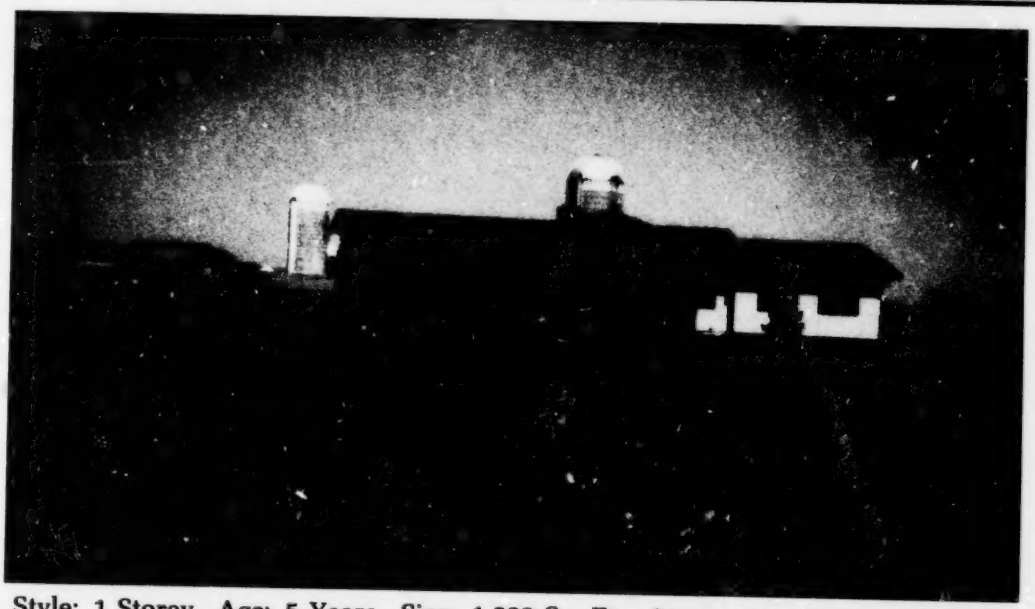
Average to Good

Style: 1 Storey Age: 10 Years Size: 1,300 Sq. Ft. Approx. Assessment: $28,000

Good

Style: Split Level Age: 5 Years
Size: 2,300 Sq. Ft. (Floor Area) Approx. Assessment: $43,000

Very Good



Style: 1 Storey Age: 5 Years Size: 1,800 Sq. Ft. Approx. Assessment: $48,000